

# **BULLETIN**

*of the*

## **BUSINESS HISTORICAL SOCIETY**

---

### **PROBLEMS AND CHALLENGES IN BUSINESS HISTORY RESEARCH**

Entrepreneurial History

THOMAS C. COCHRAN

113

History of Business Administration and Operation

HENRIETTA M. LARSON

120

### **PROBLEMS AND CHALLENGES IN TEACHING BUSINESS HISTORY**

In a School of Commerce

HERMAN KROOSS

136

To College and University Freshmen

CHARLES J. KENNEDY

140

In Professional Education for Business

JOHN G. B. HUTCHINS

146

### **MEETING OF THE COUNCIL OF THE BUSINESS HISTORICAL SOCIETY**

157

### **ANNOUNCEMENT OF TWO BOOK DIVIDENDS**

158

## BUSINESS HISTORICAL SOCIETY, INC.

Organized in 1925 to promote the study  
of business enterprise  
from an historical point of view

### *Officers*

AUGUSTUS P. LORING III,  
*President*

JOHN C. KILEY,  
*Vice-President*

ALLAN FORBES,  
*Treasurer*

PHILIP J. POTTER,  
*Assistant Treasurer*

ARTHUR H. COLE,  
*Librarian*

THOMAS R. NAVIN,  
*Executive Secretary and Clerk*

### *Members of the Council*

CHARLES FRANCIS ADAMS

THOMAS C. COCHRAN

DONALD K. DAVID

ALLAN FORBES

N. S. B. GRAS

CHARLES B. HARDING

JOHN W. HIGGINS

JOHN C. KILEY

HENRIETTA M. LARSON

AUGUSTUS P. LORING III

HENRY L. SHATTUCK

D. GEORGE SULLIVAN

R. GORDON WASSON

WALLACE B. DONHAM

*Honorary Member*

The Society collects business manuscripts, books, and reports, distributes publications, and otherwise promotes research; the Harvard Graduate School of Business Administration furnishes space and also assistance from the members of its faculty and staff. The Harvard Business School Associates receive all the publications of the Society.

## BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, INC.

HENRIETTA M. LARSON, *Editor*

Published quarterly and sent free to members of the Society.

For further information concerning the Society or the Bulletin, address The Business Historical Society, Soldiers Field, Boston 63, Massachusetts.

Copyright, 1950, by The Business Historical Society, Inc.

PRINTED IN U. S. A.

TRANSCRIPT PRINTING CO., PETERBOROUGH, N. H.

# Problems and Challenges in Business History

## Research with Special Reference to

### Entrepreneurial History

The major challenge to historians today is the same whether one's research lies in business history or general history. It is to focus the rapidly growing social knowledge of the mid-twentieth century upon historical materials and to do this mainly by asking new questions of the records, questions that will make history an analytic as well as a descriptive discipline.

The historian of business is peculiarly well placed to meet this challenge. He works with the human element in an area that heretofore has been the concern of the oldest, most complex, and least humanistic social theory, economics. That is, by the nature of his materials the historian of business is forced to seek a reconciliation between actual human behavior and the implications of rigorous economic analysis. A similar challenge is offered in harnessing each of the other social sciences to the business historian's task. In so far as he succeeds in remolding these analytical disciplines to fit reality in the sphere of business, he solves the major problems of all historians and all social scientists.

But before discussing the problems of applying theory, it is necessary to examine the present interest of historians of business activity. All scholars are indebted to Professor N. S. B. Gras for first defining and then illustrating in practice a rather definite area for research. Some years ago he said: "Business history is the study of the development of business administration . . . the study of the various factors in a business unit so managed as to yield a net profit."<sup>1</sup> In his subsequent major works he appears to have adhered to this view. The Harvard Studies in Business History, prepared under Professor Gras' direction, have illustrated his method of study through the administrative history of individual firms.

---

EDITOR'S NOTE: This paper was read at the joint meeting of the Business Historical Society, Inc., and the American Historical Association in Boston, December 29, 1949.

<sup>1</sup> *Canadian Journal of Economics and Political Science*, vol. 4, no. 3 (August, 1938), pp. 321, 325.



It seems to me that such study must be the core of any systematic analysis of business leadership. Only by observing the business man in the performance of his special functions, by seeing him through his business correspondence and other records, can we learn the facts essential to broader generalization. The historian seeking to interpret the rôle of the business leader in economic or social life must continuously increase his knowledge from such wells of information. Company history may at times be tedious, may chain the imagination to a load of routine problems, but it is the price the scholar must pay for understanding. It is proper, therefore, that business history and business historians should have followed Professor Gras in taking this area as their initial base.

The approach to business history through company history has the great strength of presenting a compact body of material that contains most of the written record of a particular set of related human activities. But it also has obvious limitations. Until hundreds of scholarly business histories have been written, and there are now scarcely twenty, there is very little basis for quantitative generalization. From such studies we cannot yet tell the origins, education, or other conditioning of average entrepreneurs at various periods. We cannot place business men as a group in society. Unless we know the general effect of a number of business firms initiating some new policy we cannot convincingly relate business development to known economic and social change or to most social science theory.

This problem of social and economic placement, of seeking the composite rôle of a group through some span of history, has always challenged historians. Professor Gras himself explored the problem in his *Business and Capitalism* and set up a number of hypotheses to both stimulate and guide future research. The particular business histories produced under his direction, however, have continued to remain within the framework of the firm and have been addressed chiefly to questions concerning the firm. To explain why this happened does not fall within my subject here. I want rather to emphasize that, as Professor Gras recognized, it appears inevitable that a considerable part of the interest in the history of business development should center in broader problems that transcend the limits of studies of single firms, in problems that relate activities of many firms to social change in general.

Emphasis on this larger field has raised some problems of nomenclature not dealt with in existing studies. Partly to correct the widespread impression among scholars that business history means only

company history or individual biography, and partly to emphasize the relation of the history of business leadership to economic and social theory, a group of scholars led by Professor Arthur H. Cole decided to coin the phrase "entrepreneurial history." Whether one wants to regard entrepreneurial history as a synonym for business history, or as covering all the theoretical and quantitative problems that cannot readily be answered by studies confined to company administration, or as a broader field that includes business history only as a part, seems relatively unimportant. The important thing is that shifting the focus from the firm to a large social group of men performing similar rôles leads to new questions and methods. How, for example, did an activity like nineteenth-century railroading in which general entrepreneurs—men controlling many companies through capital investment but managing none—were a leading type differ business-wise from an activity like wool manufacture in which the owner-manager was dominant? Or how have the family background, conditioning, and career lines of the leading entrepreneurs of any generation affected the course of business and economic growth? Or, to take a more specific instance: to the entrepreneurs of the expanding railroad systems of the nineteenth century, strategic occupation of territory often seemed of more long-run importance than the profit expected from a particular line of track. How does such an approach to transportation investment affect the economic development of an area or of a railroad system? Taken together, such questions require the formulation of general theories regarding the human factor in economic development, which could be accomplished only slowly and laboriously, I think needlessly slowly and laboriously, through the interpretation and summation of the histories of individual firms.

From the start, entrepreneurial research has necessarily been interdisciplinary, drawing particularly upon economics, history, sociology, and anthropology. It has thus set a pattern of bringing all types of social-science knowledge to bear on the history of a particular social activity.

Some historians, Professor Gras in particular, have done this as individuals, but the difficulties involved are so great that it seems inefficient to rely only on the knowledge of a single person initially trained in a special discipline. One challenge to business or entrepreneurial history is to lead the way in effective group research. With such research the old mechanical divisions between historical fields may disappear. It will be recognized more clearly that in studying any social function our background is the whole of history, and our

chief methods those of all the social sciences; it will be seen that field names, if they persist, represent areas of initial interest only, mere take-off points for social explorations.

For example, with the help of those at the Research Center in Entrepreneurial History, Mrs. Cochran and I have been studying the ideas and attitudes of railroad entrepreneurs over five decades of the nineteenth century. Frankly I do not know in what traditional field of history this study might be placed. On the basis of its aim and the materials used (thought as learned from correspondence files) it is intellectual history. From the standpoint of some of the questions asked of the data it is social history; from that of others, economic; and from that of perhaps the largest group, entrepreneurial or business. But my point is that these appellations have relatively little meaning. We are studying a specific social group performing the tasks of building and running railroads. That is definition enough. We are trying to bring to bear on the material all useful social science and historical knowledge, and we are acquiring this knowledge by interdisciplinary criticism and discussion as the work progresses.

To remove the foregoing statement from the realm of complete generality, I will explain briefly how a single sociological concept led us to rephrase a problem in a way that emphasized new elements. Sociologists are now inclined to group all the systems of punishment or reward by which a society seeks to enforce conformity under the heading "social sanctions." Applying this concept to the famous, or infamous, history of western railroad-construction companies, we saw that what had been dramatized by literary historians simply as exploitation of innocent stockholders by corrupt robber barons could be analyzed as a fundamental conflict in sanctions, and that this conflict went far to explain the bitter complaints of investors against the entrepreneurs who were responsible for excessive construction costs. There was nothing new to sociologists in the idea that sanctions varied by both regions and activities, but railroad problems had not been so phrased.

The Boston financial community, for example, had strong sanctions regarding the fiduciary obligations of managers to stockholders and bondholders, whereas the sanctions of the entrepreneurial group in a young western city like Dubuque, Iowa, were much less rigid than those of Boston regarding fiduciary obligations and much more positive regarding the virtue of rapid local development. Here was an underlying basis for trouble whenever these two groups should be engaged in a mutual undertaking, such as building a railroad where

construction was carried on by westerners with capital largely supplied by easterners. The westerners wanted to spend, the easterners wanted safe returns, and each had a set of sanctions that justified their attitudes. Seeing the situation from the Boston end, John Murray Forbes complained: "My feeling is . . . that the Landowners and R. Road contractors are the ones who too often get the whole benefit of the money that Capitalists put into the West."

In order to supply the initial funds that were lacking in the West, leading investors in the railroad company sometimes bought stock in a construction company. This practice of being on both sides of the bargain was denounced by men like Forbes, but it was regarded as a reasonable and necessary practice from the Alleghenies on westward. And the reason for this difference in sanctions is obvious. The westerners felt the necessity of being expedient. No matter how recklessly, from the stockholders' standpoint, railroad money was spent in the West, it enriched the local entrepreneurs, the owners of trucks, sandbanks, mills, and work apparatus. A man like James F. Joy, who drew large quantities of eastern capital westward, might have lost the confidence of some easterners, but he was a hero in Detroit. As J. W. Brooks, Joy's colleague, put it: "Loosely as these things were done they as a whole proved the salvation of the [railroad] . . . we do not claim to be immaculate beyond expediency, but are content with right intentions and good results obtained on the whole . . ." That was perhaps the essence of the philosophy of the western railroad entrepreneur. The sanction in favor of constructive enterprise superseded most others.<sup>2</sup>

The conflict in sanctions points to an additional economic interpretation. To a considerable extent the construction company operations were an example of the business men of the back country, or, if we may use the analogy, colonial area, enriching themselves at the expense of the investors of the metropolitan or "imperialist" area. When other colonial developments are looked at from this angle it becomes obvious that exploitation of the capitalists of the investing area by the local entrepreneurs is a rather common process.

But the ease of applying this one concept of social sanctions is misleading. Unfortunately, as many scholars know—again I might add Professor Gras in particular—there are serious obstacles in the way of coördinating history and the social sciences in a unified historical

<sup>2</sup> In all these cases we are dealing with the sanctions of the elite or articulate group in society. It is impossible, in most cases, to discover the attitudes of the workers.



science. While history needs the social sciences for their analyses and the social sciences need history for its fund of evidence and empirical methods, the two parties are not courting each other.

One of the first obstacles to their marriage is mutual indifference. Too many on each side think the methods of the other are of little importance. But penetrating beyond this cold curtain there are some basic differences in attitude and approach that give a non-historical orientation to the social sciences. The extent of the divergence varies from discipline to discipline. It is perhaps least between history and anthropology and greatest between history and theoretical economics, but it has much the same causes in each case.

A year of discussions at the Social Science Research Council, between a committee of historians on the one side and representative scholars from the social sciences on the other, revealed at least three principal respects in which social science theory has failed to provide the types of hypotheses or questions that historians require. In the first place, too many chains of deductive reasoning in social science lack any criteria by which they can be related to historical reality. Marginal and value theories in economics are obvious examples. No one has established a means of testing whether an entrepreneur really hires, fires, or invests on the basis of marginal cost or productivity. No subtle measures have been perfected for substantiating any theory of value. Or, to take another example close to the interests of the business historian, economists have steadily assumed that the entrepreneur is motivated by the desire to maximize profit. But no adequate research has been conducted to establish usable criteria for profit motivation and to apply them to different types of entrepreneurs. I do not mean to assert that such criteria cannot be found; I merely note that the social scientist has not been sufficiently interested to provide them. The historian, however, is trained to demand empirical evidence, and he hesitates to assume theories that cannot be tested.

In the second place, much analytical theory now depends on the necessary exclusion of too many factors. Again choosing the field of economics which is perhaps the most familiar to all of you, Professor Metzler notes that in Paul A. Samuelson's equations for stability analysis the algebra becomes so cumbersome as to be almost unmanageable when the number of variables exceeds three or four.<sup>3</sup> Yet the historian wonders if any real situation could depend on as few as three

---

<sup>3</sup> *American Economic Review*, vol. xxxviii, no. 5 (December, 1948), p. 910.



or four or even a dozen variables. To put it another way, the historian prefers theory that starts, "This is how things have been, and here is a possible explanation . . ." rather than "Let us assume this to be the case, and see what follows . . . ."

In the third place, relatively little theory takes sufficient account of the time element. Social science hypotheses tend to explain how things will operate if no permanent or directional change takes place, whereas the historian needs theories about the irreversible cumulative changes that do take place. It does him no good to put a time dimension in a static equation, and to alter one or two variables accordingly. He wants to know how and why you get to a radically different equation ten years later.

But the need for reform is by no means confined to the social scientists. They find the historian uninterested in trying to acquire analytical insights by systematic theorizing. They usually find historical literature appallingly factual, connecting event with event apparently without regard to building any structure of meaning, or even without any systematic approach to human motivation.

But all of this is familiar ground to most of you. The importance for our present discussion is that business and entrepreneurial history, being necessarily interdisciplinary, can best pioneer a better understanding between history and the social sciences. Standing as so many of us do between history and economics departments, and between schools of liberal arts and of business or commerce, we are in a strategic position for the propagation of educational ideas. Perhaps we can be so insistent in our demands that future students will receive training in concepts and theories common to all the social sciences and explanatory of historical processes. And only after this basic training will they select a particular field of social interaction for more specialized study. The challenge is a tremendous one, with implications extending beyond the academic professions. By taking the lead in organizing a basic time-oriented social science, historians of business may alter the course of general knowledge. They may help to reverse the centrifugal trend toward over-specialization which for more than a century has frustrated scientists and ordinary citizens. They may lead the way to conceptions built around the observed actions of whole human beings, motivated by desires for self-expression, self-exaltation, religious experience, or sex, who live not in a restricted economic or political environment, but in a real environment.

THOMAS C. COCHRAN

University of Pennsylvania

## Problems and Challenges in Business History Research with Special Reference to the History of Business Administration and Operation

The over-all challenge to research in business history is to provide facts and generalizations concerning the history of business which may lead to a better understanding of business itself and of its rôle in society. This is an urgent challenge in our age of revolution, a revolution in which the generally expressed objective is a better and more secure living, the political tool being largely economic class conflict, and the target, private capitalism.

The function of research in this field is not to provide programs for action or fuel for propaganda; its function is to provide facts that may throw light on developments and issues and to help to illuminate their meaning. Nor is this work aimed at the short run; it is, rather, to correct that cultural lag which has developed from the fact that business institutions and operations have evolved faster than has understanding of the nature and significance of the change, a lag which may become a vital factor in the destruction of our business system and even of democracy itself. In sum, the function of this research is to study business as a part of the larger historical and social organization and process.

Being an historian, I shall begin with the past as the best way to gain perspective in viewing the present. I shall first of all review the problems and challenges of research in the history of business as I have observed them and participated in their development, which means that I shall deal with the work at the Harvard Business School. Doing this is in agreement with the planned division of labor for this meeting. It is a justifiable procedure for the reason that the work in business history at Harvard has had a special emphasis—it was Professor Gras of the Harvard Business School who created the concept and pattern of research in the history of the administration and operation of business. Having dealt with this background, I shall then

---

EDITOR'S NOTE: This paper, somewhat shortened, was read at the joint meeting of the Business Historical Society, Inc., and the American Historical Association in Boston, December 29, 1949.

consider problems and challenges as they appear today in the light of that past experience.

The business history of which I speak was born of a union of business and scholar. In 1927 Mr. Wallace B. Donham, then Dean of the Harvard Graduate School of Business Administration, took the first step toward establishing research and teaching in the history of business as a separate and specialized field of scholarly effort by adding business history to the curriculum of the School, establishing an endowed professorship, and inviting Professor Gras to undertake the work of developing the subject and the teaching. Dean Donham believed that students training to enter business should have some knowledge of its history for the larger perspective and insight which that knowledge should afford. He sensed the growing problems of business itself, and of business as a social institution, and he saw the need for business leaders with the broad training and the ethical standards which characterize such professions as law and medicine. It should be noted, with emphasis, that business history was thus established to contribute through business education to the development of a more intelligent and responsible business system. It was to be a teaching tool in a school of business.

While the School gave business history a name, a purpose, and an opportunity, it was Professor Gras who gave it content and form. He envisaged a broad approach to business history and one that reached far back in time, and from the beginning he realized that the conventional work in economic history was not suitable for the teaching at the School. The emphasis there was on the administration of business in operation, and the method of teaching was the case system. The first problem was to provide teaching materials, and that was done in the beginning by tapping existing historical literature. In the very first year research was started in business records, a considerable collection of which was already being brought together at the School's library. In that first year research, looking toward full-length studies, was started on John Jacob Astor, the Massachusetts Bank, and the business of the Medici; in the next year work was begun on the Jay Cooke papers, and the preparation of a glossary of Medieval Italian terms of business was undertaken; in the third year work was started on a guide to materials useful in the study of business history, and a new member of the business history group began to carry forward at the School research which she had already started in Germany on the history of German business. These and other less ambitious projects went into the making of the casebook used in teaching, and in 1931 the

publication of the Harvard Studies in Business History was started. While formulating tentative hypotheses and generalizations about the history of business, directing research, carrying on research of his own, and teaching, Professor Gras also served as managing editor of the *Journal of Economic and Business History*.

Then came two developments which were distressing to us all at that time, but which on the whole probably were fortunate from the point of view of the long-run development of research in the history of business. One was the disagreement of the editor and the managing editor of the *Journal* over policy with regard to the content of the publication; this disagreement ended in the resignation of the editor. The editor opposed the inclusion of certain articles on business history on the grounds that they were not of sufficient scholarly interest, and the publication was with rare exceptions made up of articles in the field of traditional economic history. This was the first in a series of loosening of ties with the very field from which most of the members of the group had come, including its head. Seen against the background of the general history of learning, this separation was a normal development; in part it can be explained by growing differences which tended to overshadow similarities. It was small comfort to know that the resulting intellectual isolation was a part of a process of growth.

The second development, which was to create new problems and also bring new challenges, was the depression. It laid its heavy hand on the work of the group at the very time when the ties with economic historians were breaking. First, the *Journal of Economic and Business History* was struck down. Soon also occurred a drastic cut in the research staff. Hopes for a broad program of research had to be abandoned. For several years the only special research projects that were carried on were studies of the histories of individual business firms, which were financed by gifts from the companies studied. These were living companies, still carrying on their work, and the research was done mostly in the records in the companies' own offices and vaults.

Research in business history was thus forced into the life of business. Here was a new experience and a very significant one. The business historian was no longer working only in his study but also in the dust and din of the factory and amidst the strain and the hustle of the office; he talked with men at work, some old and some young, from the top executive in his office to the worker at the bench. He was working not in the dead past but in a living stream of effort.

This development, coupled with the necessity, in teaching, of dealing to some extent with the near past, brought another challenge and



further problems. Traditionally, historical research rarely had come up to the present, but if business history was to serve the present and the future it had to examine the near past as well as the remote. Only thus could the chain of history be connected with the present, and only thus could the revolutionary developments and the great problems in business in the twentieth century be brought into research and teaching. Bringing research up to the present introduced new problems, however, especially where a living company was concerned but also quite apart from that fact.

A situation arose in connection with the business history research program in those depression years which had both a negative and a positive side. Most of the company histories were written by students, all but one of whom was working for a doctorate in commercial science. Only one had studied history to any considerable extent and then not even economic history, and all of them were specializing in business rather than in business history. Since they lacked a broad background, their research was concentrated on the business records and on the facts found therein. But—and herein lay their real strength—those men were at home in business facts, and could reconstruct the business from the records in a way that an historian not familiar with business could never have done.

Indeed, we had not gone far before we saw that research in business history required rather special equipment and methods. Familiarity with business, beyond what the historian generally has acquired, was clearly essential. Most obvious was the need for some familiarity with accounting, finance, and the administration of business, including the making of decisions and plans, control, and management. The very narrowing of our work drove us to a clearer realization of the necessity of acquiring special intellectual equipment for research in business history.

While necessity forced us to concentrate heavily on research in business records, there was always an impatience to move faster than that method made possible. For example, what were the long-time trends in business and what were the explanations of changes in trends? Could a study of profits be made a measure of secular trends? What was the relationship between general economic well-being and business prosperity? After some exploration of the issues involved and the research possibilities of many such questions, it was generally concluded that there were no reliable quantitative measures and that only qualitative studies could have much significance, but that conclusion pushed the answers into the future. What were the foundation stones

of American business? We spent some time investigating the history of the common law, but again concluded that here was a basic research problem and one that only a student trained in law, with some knowledge of business history, could handle effectively. Another subject which was always dogging our steps was the history of business ethics. Again an analysis of the problem, but no easy solution. These and many other questions arose, were explored, and left their impress; but as subjects for concentrated research they usually receded into the background and there they still largely remain.

Professor Gras was always reaching out to find some order in business development. Out of his thinking and research, most of which has not yet appeared in print, came the concept of business genesis expressed in a succession of stages in the history of business in which successive types of business administrators provided the dynamic and coördinating elements in the economy. One summer in the late 1930's he elaborated this concept in a manuscript which was published as *Business and Capitalism*. This book, though hurriedly written after but a few years of research in the history of business and presented as a tentative synthesis, contains rich food for thought and sets forth issues which should be a challenge to historians for years to come. It is, so far, the only attempt to present an over-all view of the evolution of business.

As time passed and our research and thinking progressed, business history, in our view, took on an increased importance and came to have a broader significance. This growth was, to be sure, in part forced by the difficulties and the great public issues focused on business which grew out of the depression in this country and by the growth of Communism, Naziism, and Fascism in Europe. The challenge to the business historian then appeared to be not only to give the student of business vicarious experience in business, and altogether a better perspective on present-day business; it came also to appear as one means of educating both business men and the public generally to a clearer perception of the nature and responsibilities of business and its function in modern society.

Students observe that any highly dynamic group or institution in society tends to develop at a greater rate than does general understanding of that development. This was notably true of business in the past hundred years or more, in America as indeed in Europe. Since the time of the Industrial Revolution, business institutions and operations have changed and expanded so rapidly that society has failed to comprehend the nature and meaning of the change. That

has been notably true of business men, for so overwhelming was the drive of economic growth, in the past hundred years, and so insistent the promise of profit and threat of loss in our highly dynamic economy that the business man became a doer rather than a thinker and his attention came generally to be concentrated on the immediate business rather than on consideration of its long-time problems, relationships, and responsibilities. The result has been, outside business and to a considerable measure within, a situation where doing was not adequately directed or checked by understanding. It seemed to us that society, instead of influencing our complex business system through the impelling force of an informed and intelligent public opinion, was striking blind blows at business; while business itself, instead of becoming self-critical, assumed the defensive. In our own country many scholars bade farewell to reform and advocated a new system, while generally, within schools and without, business was looked upon from the point of view of the petty capitalist and of labor nurtured by conceptions of business and attacks on business which were a stale brew inherited largely from the nineteenth century. The attack was concentrated on "big business"; especially investment bankers and large holding companies.

Here was clearly a challenge to the business historian. What would research in the records of the great banking firm and the great corporation reveal? What were the functions of those institutions? Were they necessary to our system? Were they efficient in doing their work? What was the truth about the accusation of monopoly? Were those concerns seeking high profits at the expense of employee, consumer, and public, generally? Professor Gras explored this area of research and collected considerable information about several such companies. The conclusion was that here was a critical area to study.

Then came the opportunity to write the history of the Standard Oil Company (N. J.), which is now being done under the Business History Foundation, Inc. Many a time in the preliminary exploration of the project, Professor Gras and I expressed the hope that nothing would come of it—it would be no small responsibility to undertake so great a job, touching on so many controversial issues and requiring a number of historians of broad training and mature scholarship. When the question finally had to be decided, there was no thought of refusing to go ahead, for the company offered adequate financing in advance, full access to its records, and freedom to write and publish without restriction. Moreover, our preliminary investigation had indicated that the extant records were adequate and that the officers and directors could

be trusted to give their full support in the preparation of an objective and scholarly history of the company.

A staff of about twenty men and women has now been at work on the Jersey Standard history for some two and a half years. Those nine members of the group who had written at least one study in economic or business history before entering upon this project would, I believe, join me in saying that this is the most difficult and challenging and the most significant research we have ever done. But in its scope and complexity it poses problems which we can hope only partially to solve, in part because it has been a pioneering effort.

While the Harvard group was working in the history of business administration, another development appeared which was to be of increasing significance to research in business history and which presented new challenges and problems. Scholars in other fields and other institutions became interested in the history of business. Concrete evidence of that interest came to us in the form of requests for suggestions concerning teaching materials, thesis subjects, and methods of research in business records. It was a red-letter day when late in the 1930's Dr. Ralph Hidy joined Professor Gras' class at the Business School, the first student from "across the river"—actually he had by that time completed his work at Harvard and was teaching at Wheaton College. He and his wife, Dr. Muriel Hidy, an economist, became frequent participants in our regular group meetings, which were concerned mainly with research problems in the history of business.

Much interest in business history developed independently of our work. Professor Thomas C. Cochran of New York University became active in research and in furthering the preservation of research materials in New York City, as well as in teaching business history. Professor Richard C. Overton, who had written a book from the records of the Burlington Railroad, undertook to head the teaching in the general field of the historical background of business at the School of Commerce of Northwestern University. Dr. Pargellis, as head of the Newberry Library, promoted interest in research in the history of business in the Chicago area as a part of a larger plan for promoting research in the history of Chicago and its hinterland. Nearer home rose the East Coast Institute of Entrepreneurship, a group of economists and economic historians exploring the history of business leadership with a view, especially, to contributing to the theory of the entrepreneur and of economic development. These are only outstanding illustrations of a broad development.



And so today interest in the history of business and in research in that field is no longer the special province of a few. Research and writing in business history is accepted as a proper field of scholarly effort; and the materials so provided are finding their way into existing courses in history and economics while new courses in business history are being established. Indeed, indications now are that this field may become the most rapidly growing field of historical study in the years that lie immediately ahead.

This broadening of interest in the history of business promises a revision of much writing and teaching concerning business in various other fields of the social sciences and an enrichment of those fields. It also promises an enrichment of business history. The amount of research in the history of business should be increased and the work should be strengthened through the influence of the creative scholarship of other fields. Scholars from those other fields could, also, give invaluable help by doing research in special areas or topics of importance to business for which the specialized business historian may have neither the time nor the scholarly equipment. Altogether, the union of these various fields should bring us closer to that larger synthesis which is essential to effective thinking about the historical background of our times.

There is an aspect of this new incentive to research brought by an increased interest in the history of business which should be given careful consideration. It has happened before that a promising field has been so diluted and deflected by being merged with other disciplines that it has lost the inner core of its strength. Our problem is to expand research in business history and at the same time strengthen it. While this work should be enriched from the scholarship of the other social sciences, certain problems should be recognized.

There is a paramount need to come to some clear understanding of what business history is. This subject, as developed by Professor Gras, has been concerned with the history of the administration of business, a conception of business history which implies the following fundamental considerations:

(1) Business history is the study of a process. It deals with operation, with doing, with a living stream of effort which has a definite objective—any point in time is, in business history, a present with its past and future. It is concerned with a functioning organism—with a business unit, an industry, or a whole system, or with parts or aspects of these. Whether a whole or a part is studied, the point of view is functional.

(2) Business history proceeds from the standpoint of administration. Thus it has a central point to which to relate the various factors concerned, a center which through policy, control, and management coordinates the various factors. Again, it may deal with only a part of an aspect of a business unit, industry, or system, but it looks at that part as a segment of a whole which is directed by administrators.

(3) Business history is interested in the area of decisions and choices of alternatives in organizing and coordinating various factors in given situations to accomplish an end. This does not mean libertarianism as opposed to determinism. It is merely recognition of the fact that man in reality chooses between alternatives—possibly wrongly—and drives existing factors toward the accomplishment of his objectives.

There are, to be sure, other types of history within the general field of the history of business and other uses of business history than in the study of business administration. Here is certainly a matter that should be weighed carefully, particularly in view of the growing interest of historians from other fields in the history of business. A clear distinction should be drawn between work which is primarily interested in business, and writings in other fields which use business history for elucidation or interpretation. The economist may be interested in the history of business for the light that it throws on economic theory; the economic historian, to illuminate the subject of economic change and development; the social historian, to explain social conditions and change; the legal historian, to elucidate the history of legal institutions and procedures. Is not the key to the solution of this problem of terminology found in the central interest or objective of the historian or given historical work?

Such a clarification should recognize the fact that the fullest realization of the place of business in our larger history can come only through the cooperative efforts of scholars in various fields. No one approach alone holds the key to understanding; various interests should both check and supplement each other. In such specialized cooperation lies the greatest hope of advance. Only such activity can lead to the ultimate result that we hope for, a broad picture of the functioning of business as an integral part of society. This is important not only to business history. Without such cooperation the social sciences will never be on solid ground, for although business is not the *end* of social endeavor it is, as a means, basic to society's growth and development.

There is a very special need for cooperation with economists. One of the weaknesses of business history—as indeed of business—is the

fact that it does not have the support of an established system of theory. The business historian needs a generalized system of thought to provide hypotheses and ask questions in the same way that economic theory has served the economic historian. He finds that the limits of the usefulness of most economic theory are soon reached. In the real life of business one does not "impound" factors at will, consider only concurrent phenomena, deal in generalities, or find that developments take their logical course. It is a grave question whether business history can hold its own without the support of a system of theory that comes close to the realities of business. There is promise of such a development in a growing interest among economists in business economics.

A problem in research in business history arises out of the fact that, since business history is a relatively new subject and has been growing rapidly, trained or experienced researchers are few. We may be facing a period of severe shortage of scholars trained in research in this subject. As business history grows in popularity, many students will probably turn to research in the field who have no training in business or business history. If their research is directed by persons who themselves have such training, the lack can in part be supplied. Without this training there will be much loss of time, and perhaps, not too good a product. For independent research, training in business history—or at least experience in directed research—and some knowledge of business economics, finance, accounting, and administration are essential. It is not impossible to acquire such a foundation without formal training, but formal training is, in the long run, very likely to be the most economical preparation.

Here we run into difficulties growing out of institutional rigidities. In many universities it is difficult, if not impractical, for the doctoral student to take courses outside his own department or division, not to mention reaching into another school. Moreover, there are no permanent provisions for scholarships and fellowships in business history. If the need for scholars trained for research in business history is to be met, it will be necessary to cross departmental lines and to establish fellowships for students wishing to do special work in this field. If no other way can be devised, a one-year post-doctoral fellowship spent in studying business history and business would certainly give the well-trained historian a good beginning in business history.

For the full realization of the possibilities of research in business history, more than training in certain special fields and skills is required. Every business concern studied is, in a sense, a microcosm—

to do full justice to it one should also be something of an engineer, economist, psychologist, sociologist, and political scientist—not to mention a philosopher, as all historians should be—but one cannot be all things. Moreover, there are few clear paths to follow, and to break new ones takes imaginative scholarship. Here lies the greatest need of the future.

A problem which is rather special in the case of business history is that of getting access to business records for research. Few public archives and libraries have collections of business records. While there is a growing interest in the preservation of business records, the business historian will probably always have to rely largely on business itself to provide records for research, most particularly for the past seventy-five years. Then comes the matter of obtaining access to the records in the possession of business, understandably a difficult thing to do. It is, indeed, not only a matter of gaining access to the records but also of arousing in the executives of the given firm such an interest in business history and such a realization of the full implications of the research that they will grant the scholar full and unrestricted use of their company's records.

One thing that should be stressed is that the indispensable source in research in the history of the administration and operation of business is the original inside record of business. This should be shouted from the housetops of business history and written large along the paths of the worker in the field. Business records are, to be sure, not the limits of research; once they have been searched, or while they are being searched, the scholar may wander as far afield as he wishes. The possibilities are practically unlimited: private papers, trade publications, government publications, even the archives of government. If primary research, however, both begins and ends outside business records, it can make no appreciable contribution to business history.

Finally, there is the problem of finance. This problem has been, and still is, serious. The established means of financing research in history have, so far, largely been closed to business history. It has been necessary to turn to business for support for special projects. Usually this has meant a gift by a company to finance research eventuating in a history of that company. From experience it is clear that such an arrangement meets the requirements of freedom of research and writing only if the funds are provided in advance of the work. But more is needed to finance research than merely to support the researcher in writing a company history. Grants for special projects must be provided if the work is to go forward at more than a snail's



pace. It is important that funds be made available which can be used for any research that is deemed important.

Here is a challenge to business men and to research funds and foundations. Business men provide generously for research in the natural sciences, but, so far, few have seized the opportunity to contribute to such studies as might bring about a more intelligent climate of opinion for business to live in. It is a strange commentary on some of our great research foundations that, though their funds originated in business profits, their administrators have so far shown relatively little interest in business. Some of our foundations might well consider whether one of their interests should not be to contribute toward the development of an enlightened business statesmanship and an informed public in matters pertaining to business. This is not merely a question of supporting scholars in their work—we may go so far as to see it as a part of that larger question of the future of our free society.

And now remains the most important part of my discussion—to consider the challenge of research in the history of business. The general challenge, as has already been said, is to provide facts and generalizations concerning the history of business which may lead both business men and the public generally to a better understanding of business and of its rôle in society.

What can the past teach us about how best to use that great instrument of society which our business system is? On its effective functioning depends not only the material basis of our civilization but the well-being of countless individuals as well. As a practical matter this challenge must for the individual scholar be translated into workable tasks or projects. Here one can attempt only to indicate examples of subjects, areas, or types of studies that call for research.

While circumstance brought to our work at Harvard a preoccupation with the history of companies, only a beginning has been made to adumbrate the larger problems. Many company histories are needed for reconstructing the general history of business. Experience suggests that the most fruitful project for the young historian is to write a company history, and at this early stage that type of research is probably also the most important to be done in the whole field. The younger student may not advance far beyond the immediate problems and operations of the business as given tangible expression in the records; the mature scholar will more clearly visualize the pressures, within and without, bearing on business policy and operations and the responsiveness of the firm to changing conditions and considerations of general well-being.

What companies and men should be studied? As a practical thing, research in business history must largely be a matter of doing the expedient thing, but there are areas which have been especially neglected. Some of these I shall mention.

There is, for example, a need for studies of the petty capitalist, history's oldest and still by far the most numerous type of business man. The common man of business, he has been praised by both historian and politician. But what do we know about him except what we observe from our own contacts? What has been his function from time to time? Where has he been strong and where weak? What have been and what are his particular problems? What can past experience teach him? What conditions are necessary for this business man not only to exist but to continue to be the vital support of democracy and source of business leadership?

At the other extreme in terms of function and size is the great industrial group, the keystone of modern mass production. This large concern has long been the whipping boy of the politician, the economist, and the popular writer. But what would our economy be like if we destroyed it? Would it be better to have it merged with government through the nationalizing of its industry, or let a number of its kind continue to compete for the favor of investor, worker, consumer, the general public, and government? How did it come into being? What have been its points of strength and its weaknesses? Obviously one of the most critical tasks ahead of the business historian is to provide studies of this type of business concern. In its scope and complexity this is the most challenging and most difficult case study in the wide range of the history of business, and it must perforce be a coöperative project.

One of the important and controversial historical types of business units to study is the financial capitalist concern, the great investment-banker group of from about 1890 to 1929. This type of business is for the present very much in hibernation and is not the dynamic factor in our economy that it used to be. But it has latent talents which we may have to call on again, if and when our productivity falls owing to a shortage of venture capital and the weaknesses of political administration of finance. Regardless of its rôle in the future and near past, the financial capitalist concern is vitally important to the historian who wants to understand American business of the generation that came on the scene late in the nineteenth century.

We may approach the need of case studies from another direction. There are great problem industries in which individual units should

be studied. What is wrong with farming, railroad transportation, and the coal industry? Several studies are needed of the management and operation of individual units in those industries for the light they may shed on the problems of the industries themselves. Is it necessary to support the farmer on the stilts known as parity? Perhaps there is something fundamentally wrong in farm management. Has railroad management gone to sleep? Can railroads not compete with other forms of transportation? Or does the fault lie to some extent with government interference? Why has the coal industry had so bitter a labor history?

There are other types of investigations, *besides* case studies, that are very much needed, for example, studies of the business history of individual industries. It is a special kind of challenge to write a business history—not an economic history—of an industry, and I believe it is impossible to do so for any industry until the histories of several companies within the industry have been written. There will soon be in print enough company histories in the textile machinery industry to provide guiding questions, to point to areas of importance, and even to afford adequate material from company records. In any event, industry studies must draw heavily upon a wide range of printed materials to supplement the business records and broaden the story.

There is similarly a great need of studies of topics or segments of the history of business. These can be approached through individual business histories or through research in the pertinent records of individual companies, in both instances supplemented by extensive research in printed materials. One such study, which is also an industry study, has been made from the records of several companies and a wide searching of printed materials in the history of life insurance marketing, a notable work but a method that is almost prohibitively expensive in time and money. We look forward with great interest to the publication of another study of this type: Professor Cochran's book on railroad executives' thought gathered from an extensive search of railroad companies' records.

For one subject especially there is an urgent need for study: the general field of labor management. For industry after industry, decade after decade, research should be done on this subject. We need to know the weaknesses and the strength of company labor policy and management, as we also need to know something of the points of strength and weakness in labor's performance.

One grievous fault of the work of many of us who specialize in

American history is the fact that we too severely limit our study to our own United States. Work is being done in the history of European business, particularly in the history of Medieval Italy and the Low Countries. Valuable monographs have been written in various countries, notably in England, Germany, and Sweden. Such works as those of Unwin and Ehrenburg are well-known, but there are others less well-known to scholars. We shall never have a really sound business history even of our own country until we know more about the history of business in other countries and other times. Here is a challenge to historians everywhere. While it may be futile to hope for much research from company records abroad, a great deal of information lies buried in a scattered literature which should be brought to light.

Studies of individual men and companies, industries, and special topics all point toward a general history of business techniques, business statesmanship, and business philosophy. Professor Gras, as we have noted, some ten years ago wrote a study of stages in the evolution of business. *Business and Capitalism*, a genetic study, challenges mature scholars in the field to write a general chronological history of business, especially of American business, which makes use of the advances that have been made and are being made in research in this field.

Lastly, there remains the great task of viewing the history of business as a part of the whole history of peoples or civilization. Until we know more than we now know about business itself, it is futile to think of placing business definitively in its larger historical setting and relationships. But we can ask questions, we can be alert to issues, and we can explore, though we cannot fully chart a new course. So great are the challenges and so great, also, the possibilities of the field of business history, that it might well appeal to the most inquisitive, imaginative, and productive minds in the historical profession.

\* \* \* \* \*

These, then, are some of the thoughts that came to me as I reviewed research in the history of business over the past two decades. It was just nineteen years ago, here in Boston, that the first session on the subject of business history was held in connection with a meeting of the American Historical Association. What will a review nineteen years hence reveal?

The challenge to research in this field is to provide materials dealing with the development and historical experience of business and relat-

ing business through the centuries to the society of which it has been a part. To pursue the fullest possibilities of the subject would require many scholars' research and thought. Indeed, meeting the ultimate challenge would require broad scholars with high powers of analysis and synthesis, in short, philosophers as well as historians.

There is, for the individual scholar, a more immediate and practical challenge in the field of business history. As he goes about his work, he should, first of all, add to the fund of factual information about the history of business. He should, moreover, at the same time seek to sharpen his insight, broaden his perspective, and look for the general meaning that transforms history into philosophy. In time, many business historians, working in fruitful coöperation with historians or other workers in related fields, may build an understanding, a new philosophy of economic growth and strength, which is a sound guide to action.

The historian may in the process of his work find that business is what society makes it; and that over the centuries the function of business has broadened as society itself has grown in complexity. Finally, the historian may conclude that business will see and accept its wider responsibilities and reach its highest potentialities only as an intelligent society points the way.

HENRIETTA M. LARSON

Harvard University



## Problems and Challenges in Teaching Business History in a School of Commerce

Both Disraeli and Walter Leaf are credited with having said that there are three things that drive men to madness: love, ambition, and the study of currency problems. Regardless of the origin of the quotation, both men were happily innocent of the vast potentialities inherent in teaching business history. For teaching business history is a chain of problems. And problems and challenges are synonymous. To cite a few: What shall be the purpose of teaching business history? Shall the subject be presented by the case method or in a less specific and more abstract way? Having answered these problems more or less to his own satisfaction, the instructor is then confronted with the ubiquitous problem of defining the entrepreneur. And he is constantly plagued by the incidental problems of overcoming the amorphous nature of the subject, not to speak of the monumental tasks of correcting the preconceived and fallacious notions of the student and overcoming the vast mass of misleading and misinformed interpretations that parade under the name business history. But these are the inevitable problems in the teaching of business history.

As an economic historian and an economist, I am intrigued by the set of problems that are concerned with the business man's position in economic history, the relation of business history to economic theory, and the influence of the entrepreneur as a social force.

I think we are all agreed that the business man has been, at least in the past, the focal point of economic history. Today economic history is becoming more and more the history of economic development and of change in the national income. At present no economic-history text has an adequate treatment of the entrepreneur as a contributor to American economic development or to changes in national income. Hence, it is no exaggeration to say that economic history is quite unrealistic, for in presenting the play it omits the star. But economic historians have not been unaware of this weakness. One of the better texts states quite frankly, although somewhat glibly, "The

---

EDITOR'S NOTE: This paper was read at the joint meeting of the Business Historical Society, Inc., and the American Historical Association in Boston, December 29, 1949.

factor entrepreneurship is difficult to generalize about and so receives little attention aside from mention of a few general conditions affecting it in the chapters on labor." The problem of giving adequate treatment to the business man's rôle in American economic development and in increasing the national income is unquestionably difficult, but it seems to me that it must be met in some fashion in the teaching of business history.

There are a number of questions that are capable of being answered. What has been the rôle of profits in capital accumulation? How quickly did the entrepreneur adopt technological innovations? What of his awareness of the profits inherent in quasi-rents? And, to anticipate for a moment the knotty problems of economic theory, we have as yet no answer to the savings-investment controversy or the question of the influence of taxation on expansion of productive capacity. It seems to me that exclusive reliance on the case method is not a satisfactory device in coping with these problems. The answers will be more easily found in a treatment of aggregates. However, in saying this, it is necessary to add that I think there is too much preoccupation with problems of methodology in the study of business history.

Problems relating to economic theory seem to me to offer the most fertile field for business history. They are complicated but are of the utmost practical importance, and they offer one of the best means of lifting the subject out of the morass of tedious and boring detail into which it is so often likely to fall. The problems presented by the theory of the single firm offer infinite possibilities for both the instructor and the student. Moreover, it is in this field that the case method—the most easily used tool in the business historian's kit—is of the greatest value. What better challenge can the business historian face than the vast ramifications of monopolistic competition theory? Did price competition ever exist in the real world as it existed in the theoretical structure of classical and neo-classical economics? Is emphasis on price as a competitive device more beneficial from a social point of view than emphasis on product differentiation and service? How does monopolistic competition work in practice? Of what value is the whole marginal analysis? Is the profit maximization principle of general validity, or are there more realistic principles? Does the entrepreneur make decisions on the basis of marginal revenue curves? And does marginal cost in any firm conform to the marginal cost curve drawn by economic theorists? These are just a few of the problems which the teacher of business history can present for further thought and study. Their practical importance is enormous, for the

theory of the firm, with its great reliance on marginal analysis, has not given us satisfactory answers to such perplexing questions as the nature of price inflation, the value of anti-trust programs, and the nature of wages. The specialist in public finance, moreover, must admit that because of the limitations of the single firm analysis, his theories about the incidence of taxation and about the effect of taxation on business decisions are at best dubious and at worst altogether incorrect.

But the application of business history to economic theory is by no means confined to the single firm analysis. Business history has already contributed much to straightening out some of the original weaknesses of Keynesian economics. For example, the overemphasis on the interest rate as a factor in investment decision has been corrected, but it still remains for business historians to give an answer to the problem of what actually does determine investment.

These problems of economic theory are, of course, extremely difficult to handle. They are impossible of solution unless the instructor is fortunate enough to have a small class of students well versed in economic theory. Even then it is a matter of groping. Yet the problems are not insurmountable, and substantial contributions have already been made. It is somewhat ironic that Richard Lester, a labor economist and not a business historian, was one of the first to inquire of the business man for a realistic approach to the marginal concept. But there have been many other important contributions—for example, Joel Dean's study of a hosiery mill; Learned's study of gasoline pricing in the *Harvard Business Review*; Yntema's analysis of costs in the steel industry; Cochran's "The Economics in a Business History," which appeared in the *Tasks of Economic History* for December, 1945; Scoville's *Revolution in Glassmaking*; and many of the Harvard Business History Studies, such as Moore's *Timing a Century*. In addition to these positive accomplishments, numerous negative illustrations can be cited, pointing to the contributions that business history might have made toward the improvement of better than average studies—for example, Clare Griffin's *Enterprise in a Free Society* and Eiteman's attempt to reformulate the theory of the firm.

Although the problems of economic theory seem to me the most fruitful for the instructor in business history, those concerned with the entrepreneur as a social force seem the most interesting, the most provocative, and the least capable of concrete expression. I think it is in many respects unfortunate that the United States has not produced an economic historian whose interests centered more in the

abstract than in the concrete. We have produced no Sombart, Spengler, Weber, Tawney or Pirenne to weave the theory of history.

American economic history has been wedded to statistics. I do not mean to deprecate that approach, but it is no open sesame to understanding. It is useless in bridging the gap to all other social sciences. It neither illuminates the paths that we are treading nor reveals the destination at the end of those paths. The greatest challenge in teaching business history seems to me to be the challenge of casting light on the development and ever-changing nature of American social institutions. To what extent has our entrepreneurship been influenced by changes in the stream of thought and to what extent has it been a basic factor in changing those streams of thought? To put the question in a different way: Has the business man been a molder of American institutions, or has it been the other way around? If he was at one time the active force in institutional change, is he still in that position, and if not, why not? To what extent is the contemporary business man a contributor to the advancement of the concept of the welfare state? How much belief in risk has he jettisoned and how great is his own desire for security? Has there been a basic change in business motives from emphasis on profit to emphasis on the stability and continuity of the business enterprise? What of the social motives? And of the growth of corporate bureaucracy and its effect on institutional change?

In helping to throw light on these problems I think that studies such as Professor Gras' exposition of the changing nature of capitalism; Chapter XII of Schumpeter's *Capitalism, Socialism, and Democracy*; Chester Barnard's *Functions of the Executive*; and Easterbrook's "The Climate of Enterprise" in the 1949 *Proceedings of the American Economic Association* should be required reading in every business history course. For it is far from an impossible task to defend the thesis that the greatest challenge in teaching business history is that of helping the student to understand where he is going, or, to put it more cynically and perhaps more accurately, to persuade the student to accept his fate.

HERMAN E. KROOSS

New York University

## Problems and Challenges in Teaching Business History to College and University Freshmen

Business history, as distinct from economic history, is now being taught on the freshman, senior, and graduate levels in a number of colleges and universities. I am to speak only on the problems and challenges of teaching business history on the freshman level, but in this connection I shall mention the desirability of courses for senior and graduate students.

A freshman student should be aware of a threefold purpose in pursuing business history. In the first place, he should learn about the development of the business man and the business firm. Much about the present can be learned from the past, especially the recent past of the last century and a half. Another purpose is to learn about the evolution of capitalism. The evolutionary aspect is an extremely important concept, too often foreign to the thinking of college students. By using the administrator-capitalist approach and tracing the history of business, students learn to distinguish between different types of capitalists and at the same time to recognize the changing environment of business. Without this approach, students cannot understand the present-day situation or the future prospects of business and capitalism. A third purpose is to reconsider, if not redefine, one's philosophy of economic systems and the rôle of business. Undergraduate students ought to be guided in such thinking and shown the major results of sound historical scholarship rather than be left alone to glean what they can from a variety of academic courses, the press, and politicians.

Beyond these objectives there are several challenges to the teacher. Many freshmen who anticipate a major in economics or business appear to me to be more interested in the evolution of capitalism than in the history of business firms. At the same time every student in a business school is likely to have ambitions for a business career. With these two attitudes prevalent I have found student interest high in a required course presented as the Evolution of Capitalism with the

---

EDITOR'S NOTE: This paper was read at the joint meeting of the Business Historical Society, Inc., and the American Historical Association in Boston, December 29, 1949.



sub-title *An Introduction to Business History*. It happens that this course is in the economics department at the University of Nebraska, but it would be equally appropriate in a department of business administration or a department of history. One challenge, therefore, is that students who are especially interested in capitalism are likely to have more interest in a freshman course where the double theme is the evolution of business and capitalism.

Another challenge is to detect the student's fuzzy thinking and hazy conceptions concerning the nature and significance of capitalism and business. Students should be corrected in this, not as a matter of indoctrination but as training in clear thinking. Furthermore, business history should be taught as experiences in critical thinking.

The instructor should be aware of a third challenge. A freshman course provides a student with a better perspective for the study of economic theory, general history, and the several courses in business. Notice the word *perspective*. Not much background can be included unless it is a two-semester course. It is not background, however, that is needed to any extent so long as courses in economic theory and business continue to include separate background material. The real need is a point of view derived from an awareness of the sweep of centuries of history, the evolutionary character of capitalism, the development of the capitalist-administrator, and the nature of policy, control, and management. An elementary course in the history of business is a good introduction to economic theory. Economics ought to be centered in business and the business man; it cannot hope to be a science of business otherwise. Yet, even with the voluminous writings and revisions produced by economists during the last two decades, the first course in economic theory does not give the student a body of theory very close to business realities. As long as this continues, which may be for some time, there is a real challenge to the instructor of business history to provide an intelligent perspective, a sense of values, and a critical attitude to be used in other courses.

Is it better to teach business history in the freshman year, the senior year, or on both levels of the undergraduate college? I prefer a three-hour course in the freshman year, required for majors in economics and business administration, together with a three-hour course in the senior year. I submit four reasons for the freshman course. The first point is the one just mentioned, namely, that it is desirable to offer a freshman course as a prelude to other subjects in business and economics. The second reason is that many students attend college for only two years. Moreover, the junior college and

the two-year general education curriculum movements are growing. Thirdly, many students will not enroll for an elective course in business history during the senior year, and therefore a freshman course is the only place where they will have the benefit of some acquaintance with the subject. No school, to my knowledge, requires business history in the junior or senior year and the enrollment in the elective course in each school where it is offered is only a minority of the graduating class. It is not necessarily a reflection upon the instructor or the subject. The fact is that there are so many professional courses to be taken during the last two years that an elective course in business history will not be selected by many students. However, this difficulty could be offset by making the senior course required. And my fourth reason for recommending a freshman course is that I think a student graduating with a bachelor's degree in business administration ought to have the opportunity of taking six hours of business history, but, since the senior courses in business history usually grant only three semester-hours of credit, the only alternative is to offer three hours in the freshman year.

My reasons for recommending a three-hour course in the *senior* year are: (1) It can emphasize the over-all view of business and essentially be a study of administrative policy with much historical depth. That is quite significant for the curriculum of most undergraduate schools of business. Students take courses in marketing, accounting, finance, industrial management, labor, etc., but very seldom do they have anything on over-all policy. Such a subject is appropriate, even for students going into small business firms. Business history can do much to fill that need on the undergraduate level. Obviously, this necessarily must be a senior course if the student shall have adequate background. (2) A senior course, also, can be presented to stimulate the student both to gain an appreciation of the over-all picture of business and capitalism as it has been unfolding over the centuries and to conclude his undergraduate work with a philosophy of business, albeit tentative, that he has worked out himself. The case method of teaching, being experience-centered, is quite useful for this purpose. A freshman course with all its advantages cannot meet this objective. It can introduce the student to business history, and for the reasons outlined in this paper I think it should be a required course. At the same time, I recommend that the student should return to the subject just before graduation to rethink the problems presented by a historical study of business and capitalism.

There is no need for unnecessary duplication in a freshman and a

senior course, each offered for three semester-hours of credit. I prefer the freshman course to be a survey of the whole field, such as the presentation by Professor Gras in *Business and Capitalism*. The senior course can go on from there and concentrate on case studies similar to those in the *Casebook* by Professors Gras and Larson.

What should be the content of a freshman course in business history? Certainly it must be about business men and business firms. Histories of economic institutions, organizations, and industries without the story of business men and units written from sources including business records cannot be considered satisfactory business history. At the University of Nebraska we have tried an economic history textbook supplemented with lectures and readings on business history, but the arrangement was unsatisfactory. The course was not really business history until we adopted a business history textbook. Essentially, the course is a survey of the development of production from the era of nomadic pastoral life to the present time and the history of business since the beginning of towns.

In addition to the general survey presented by Professor Gras' *Business and Capitalism*, we have used eight cases from the *Casebook in American Business History* by Professors Gras and Larson. The most popular cases are those on John Jacob Astor, Samuel Slater, Jay Cooke, and James J. Hill. Others used for class discussion are those on Sir Thomas Smythe, mercantilism, the development of internal markets, and the business trend from 1866 to 1897. These cases were selected to emphasize or illustrate points made in the textbook. The choice was limited by our opinion of their usefulness for freshman students.

In presenting business history to freshmen it is necessary to give specific attention to terminology and concepts. I have found that the best reading assignment at the beginning of the course is the first portion of Professor Gras' essay entitled "What Is Capitalism in the Light of History?"<sup>1</sup>

We present both the textbook and the case studies in connection with an outline and questions. Students are required to prepare written answers in outline form before the class meets.

You may wonder how we can expect freshmen to handle the cases in a casebook written for seniors and graduate students. Actually, we do not use the cases as ordinary case assignments. For the freshman student we have found that selected cases are useful when adapted by

---

<sup>1</sup> *Bulletin of the Business Historical Society*, vol. xxi, no. 4 (October, 1947).

either of two methods. One is to assign a number of specially designed questions and have the student use a case as a reading or source for the answers. In the class discussion we emphasize the points indicated by these questions rather than break down the case to analyze policy, control, and management befitting a senior or graduate student's background and ability. The second method of using the *Casebook* is to designate two or three cases and have the student write an essay on one of them, the essay to be on a subject such as the use of control by Armour and Company or the policy in the formation and early operation of the United States Steel Corporation. I have discovered that some freshmen get their first real grasp of concepts such as control by preparing an essay to be written in class without the use of notes.

I should prefer, however, cases written for the freshman level so that the case or problem method of instruction would be used for at least half of the assignments. This should be a challenge to the instructors of freshman courses to write one or more cases and make them available to qualified teachers in other schools.

The most immediate problem is the obtaining of qualified instructors. I make this statement on the basis of my association with eight other teachers using the Gras and Larson materials on the freshman level at the University of Nebraska and the Fairbury (Nebraska) Junior College. There is a real need for an elementary textbook and case studies, it is true. I am firmly convinced, however, that the need for qualified teachers is more urgent.

Sufficiently qualified teachers may be classified in two groups: first, the professor in charge in the larger schools; and, secondly, the junior instructors in the larger schools as well as the instructors in smaller schools who must teach other subjects besides business history. The professor in charge of the business history courses in larger schools should be trained in both history and business. The academic world is accustomed to such hybrids as biochemists and professors of business law. A well-trained business historian is a hybrid. He cannot go far without considerable training and practice in the frequently separated fields of history and business. Moreover, he needs to know economics and some political science, and in most instances he ought to have had graduate training in these related fields. Nevertheless, the important thing is the attitude of daily self-training that he should possess. An instructor who relies primarily on his graduate courses will not be a good teacher, especially in business history, which is in a formative stage of development. He should be engaged from time to

time in both basic research and case writing of business history. This suggests that in most universities he should be the instructor of both the senior course and the graduate seminar in business history as well as the freshman course. The Business Historical Society is assisting to prepare men for this position by sponsoring a post-doctoral fellowship for twelve months of study and research at the Harvard Graduate School of Business Administration.

The junior faculty members in the large schools and the instructors in small colleges who teach business history as an extra subject cannot be expected to match the qualifications of the more experienced professor in the larger university. It is likely for the present that many junior members will be drawn from students preparing for a doctorate in economics or business administration. This presents a problem that can best be handled by selecting instructors who are adjustable, who have a business point of view, and who like to read history. They should be given encouragement and assistance. In the larger universities the junior faculty members can meet in a weekly conference with the senior professor. For the business history teachers in smaller schools there should be occasional professional meetings on a regional basis.

I am convinced that the freshman course in the history of business and capitalism is both worth while and teachable. It offers a useful aid in the fight for private business. It merits financial support so that more college students can have a better vision of the great challenge of business statesmanship in a changing world.

CHARLES J. KENNEDY

University of Nebraska



## Problems and Challenges in Teaching Business History in Professional Education for Business

Business history as a differentiated subject is of comparatively recent origin in the American academic scene. It has naturally been most closely associated with collegiate schools of business, and particularly with those offering graduate or semi-graduate programs of instruction. It now seems appropriate to inquire what rôle it plays in such programs, what should be its content, how it should be presented, and what relationship it has to the closely associated fields of economic history, economics, business administration, and public administration.

Professor Gras has defined business history as "the story of the policy, management, and control that go into the production of goods and services chiefly for the making of a private profit."<sup>1</sup> He would include also coöperative business and certain types of public enterprise. It seems to me that this definition does not go far enough. The objectives must inevitably include acquisition by the student of the appreciation of the economic and business system as an evolving organism of great age and many patterns, of some concepts of the continuous process of change, and finally of the long-run significance of individual decisions and policies on the positions of particular enterprises and larger units. Thus properly treated I believe that the subject can be of great value in the development of the analytical perception and judgment of professional students of business and public administration.

It is, of course, generally recognized that both economic and business history, especially the former, can play a most important part in a program of general education such as is found in most of our colleges. I do not intend to discuss the problems of such courses. I do believe, however, that even the most technical of advanced courses in business history can be of great value in such a program, and that the inclusion in courses in business history of qualified students pursuing such a general curriculum should be encouraged.

EDITOR'S NOTE: This paper was read at the joint meeting of the Business Historical Society, Inc., and the American Historical Association in Boston, December 29, 1949.

<sup>1</sup> N. S. B. Gras, "Are You Writing a Business History?", *Bulletin of the Business Historical Society*, vol. xviii, no. 4 (October, 1944), p. 73.

The problems of teaching business history at advanced levels are quite largely determined by the objectives of schools of business or of schools of business and public administration combined. The rise of such professional schools is clearly both an effect and a cause of the changing pattern in business and public leadership in this country since World War I. Rising in importance is the skilled, rational, statesmanlike administrator. Declining is the individualistic, plunging leader totally unschooled in the arts of administration or in the social sciences. It may be too optimistic to hold that a broadly trained civil service is to be generally found in business firms and in government, but such people are making their influence felt. The concepts and policies of a Vanderbilt, an Astor, or a Rockefeller are to a considerable extent obsolete. Thus training for business or public administration has taken on a professional nature similar to that of the other types of professional work in American universities. If, then, business administration is an art suitable for advanced study, what should be taught? The general character of such a program I believe should be, and generally is, as follows:

1. Instruction in the basic general aspects of business and of the economic system.
2. Analysis of business problems.
3. Instruction in specialized subjects, e.g., accounting, marketing, statistics.
4. The development of an understanding and method of approach to problems of business policy and the public interest.

I am convinced that business history, if properly and broadly presented, can contribute substantially to the work of instruction under all the foregoing points. There is a reality, a comprehensiveness, and a time sense in the subject which is very valuable. Indeed, here the student enters the real world with all its currents and complexities, and here he has an opportunity to study concrete problems involving economics and administration.

If administration, in this connection particularly business administration, is to be regarded as an area of endeavor to which professional training may be applied, we should also inquire into the nature of a profession. Former Chancellor E. E. Day of Cornell has identified a profession in terms of the following considerations:<sup>2</sup>

---

<sup>2</sup> E. E. Day, "Social Responsibilities of Business Education," Convocation address commemorating the twenty-fifth anniversary of the establishment of the School of Business Administration, University of Michigan, October 5, 1949, p. 6.

1. Qualifying for the practice of a profession requires an extended course of specific training, this course requiring substantial pre-professional as well as professional studies;

2. The art practiced in a profession is subject to constant improvement through the contributions of wide-ranging scholarly and scientific research;

3. Obligations beyond those relating to the maintenance of current standards of professional practice are recognized, and especially those relating to the public's need of better and possibly broader service.

Dr. Day correctly points out that the art of administration is not subject to such close definition as is the practice of law, medicine, engineering, and the other established professions. But it is important that the higher education for business and public administration be pointed in a professional direction. I believe that business history, if analytically handled, can considerably assist such a program of professional training.

## II

I now come to the question of what a course in business history in a professional school should attempt to do. To begin with, it may be assumed that most students will have had collegiate work in history, some a great deal. They do not want more as a rule. Thus, while the course performs many of the functions of a survey or orientation course, it should not be a general course in history with much emphasis on economic and business affairs. It should rather be designed to answer some of the questions which this type of student may be expected to have about the history of his craft. These questions will normally emerge out of his study in other parts of the program, and out of his experience.

What, then, should an expert in business and public administration be expected to know about economic and business history? In summary it seems to me that the following general areas are significant:

1. A correct concept and some quantitative knowledge of the course of economic development in the United States, and possibly also abroad. I include herein the structure, functioning, and institutions of the economic system. The comparative method, so effectively employed by the late Edwin F. Gay, is most useful in this area. This part of the subject is essentially economic history, which is necessarily closely entwined with business history.

2. An understanding and appreciation of the techniques and problems of conducting business enterprise of assorted kinds at various times and places. Of special interest are the decisions and policies making for survival or failure in the individual case.

3. An understanding of the rôle of the entrepreneurial function in the firm and in society at large, and of the nature of the process of change generally.

I shall discuss each of these points at some length.

### III

The inclusion of suitable material on economic history may be expected to lead to two benefits, namely, the development of an understanding of the background of many economic and business phenomena, and, secondly, and perhaps more important, the establishment of a sound and constructive approach toward the ever-disturbing problems of change. It thus may substantially contribute to the instruction program in the general and basic aspects of business, and also to that dealing with the relations between business policy and the public welfare — both of which topics should be strongly emphasized.

The method of treatment is therefore of very great importance. In so far as is possible, economic history should be regarded as a science of observation. Particularly to be avoided are those transcendental accounts in which the economic system moves toward some preconceived end. Since it permits of concentration on the factors necessary to analysis, topical treatment is far superior to the narrative method. At many points the propositions of abstract economic analysis will be found to be useful, but the truth derived logically from given and simplified assumptions is not necessarily of a higher order than that derived by historical empirical study.<sup>3</sup> Much economic analysis of the current equilibrium type proceeds completely independently of time and space. For some purposes this method has advantages. But in general, concrete economic development cannot be thus narrowly described. Indeed, it is noteworthy that many analytical systems make quite inadequate provision therefor in their structures for geographical aspects and changing fundamental factors. On the other hand, care must be used to avoid the ineffectual state-

<sup>3</sup> Abbott P. Usher, "The Significance of Modern Empiricism for History and Economics," *Journal of Economic History*, vol. ix, no. 2 (November, 1949), pp. 137-142.

ment of the empirical position so characteristic of the German historical school of Schmoller and Bücher.

In this connection the views of A. P. Usher, recently stated, are of significance.<sup>4</sup> All economic phenomena must be regarded as having aspects of time and space. This applies to even the simplest of the pricing processes which are a major concern of economic analysis. Scarcity and abundance have no meaning except in relation to a particular framework of space and time. Thus there is a dilemma in method. The formal logic of economic theory presents certain conclusions, but they often lack an adequate factual foundation or may be even entirely abstract. On the other hand, it is logically impossible to prove any proposition solely by empirical observation, and therefore the empirical economists, especially the economic historians, have not had much influence. The result has been indecisive. Economic theory has a long record of complex and often ingenious adjustments between its abstract propositions and the observed phenomena which also are the interest of the historian. Conversely, inductive studies of economic and business affairs have been pushed ahead without regard to their logical consistencies. The solution to the impasse, as Usher sees it, is through the development of the historical sciences as sciences of observation, similar to dynamic geology, and through the integration of the historical sciences with the other sciences, especially the social sciences.

Such a type of economic history may enable the student or administrator to comprehend each problem as a part of the time-space-matter-energy aspects of the particular case, rather than as a problem to be solved by universal rules logically deduced from fixed premises. Clearly, from the point of view of administrators some integration of the empirical and theoretical positions is long overdue.

A major problem of treatment in a professional school certainly centers in the phenomenon of change in economic and business history. The perimeters and institutions of economic life do not remain fixed. From the practical point of view there are the problems of how new things come about and of how individual affairs may best be adapted. A correct appraisal of massive movements clearly involves some critical study of their history, and even short-run phenomena have their past.

In this connection there is doubt that much is gained by attempt-

---

<sup>4</sup> *Ibid.*, *passim*.



ing to portray economic or business history as a system of stages in industrial organization or in business control. The older German system summarized economic evolution in terms of village, town, state, and national economy. Other systems involved a series running from household industry through craft industry, merchant-employer industry, to factory industry. Professor Gras makes extensive use of the system: pre-business capitalism, mercantile capitalism, industrial capitalism, financial capitalism, and national capitalism.<sup>5</sup> One difficulty with such systems is that they focus attention on the static elements in economic or business history. Furthermore, it is not always clear how the step from one stage to another in the sequence is accomplished. Finally, it is dubious that all economic and business development can adequately be expressed in such terms as the national state, or the factory system, or financial capitalism.

If one adopts the point of view that economic and business history is to a considerable degree the study of dynamic adaptation, many of these difficulties disappear. Institutions become a means rather than an end. Plural institutional solutions are possible, each being in terms of the special circumstances of its case. Thus the comparative method can play a very large rôle in developing an understanding of the process. For example, the major industrial powers adopted quite different solutions to the problems of monopoly, cutthroat competition, and discrimination on the railroads in the late eighteen seventies and 'eighties. In all cases the development of significant fixed costs, of trunk-line competition, and of heavy traffic forced the matter to a head. Germany adopted state ownership, France a complex system of subsidies and guarantees, Britain a mild form of regulation, and the United States the highly complex Interstate Commerce Act of 1887. The basic sources of disturbance may be summarized as innovations in technology, the discovery of new resources, and new concepts in law and institutional organization. By focusing attention on the dynamic results of innovations a critical faculty of considerable value can be acquired which may be of much general value in assessing current problems and trends.

There is also the question of why great economic and business changes come about, and of how massive economic movements evolve. A Chinese graduate student, who had carefully studied the industrial revolution in Britain, once asked me how such a revolution could be brought about in his country, and in particular how China might

---

<sup>5</sup> N. S. B. Gras, *Business and Capitalism* (New York, 1939).

achieve some degree of technical leadership. Such a question clearly involves problems of great concern to economic and business history. Their solution obviously requires much integration of history with economics, sociology, and psychology, and doubtless also with the physical sciences. There is involved a theory of discovery and invention, which is largely a matter of the mind, and of innovation which involves entrepreneurship. As Usher has pointed out, if the elements of a new combination are available to an individual, but the circle is not complete, some quite minor occurrence may complete the pattern and set off a large disturbance.<sup>6</sup> The ultimate effects may be far-reaching indeed and may require many decades for final realization. Thus for professional students of business in particular, the development of a workable concept of historical processes in the economic and business areas seems to me a primary objective.

#### IV

There is also much advantage in studying the organization, leadership ideas, techniques, and problems of conducting business affairs at various times and places. This is business history proper. It is to economic history what the economics of the firm is to general economic analysis. There are two particularly significant aspects, namely, the process of adaptation by the individual firm to the larger universe, and the method of getting innovations into the system.

The question often arises as to whether or not the synthetic experience involved in business history has any value in the conduct of current affairs. Some light on this problem may be found by studying the rôle of military history in the training of high officers. Of particular interest are the views of Moltke, who played a leading rôle in the establishment of German staff doctrine and training in the latter part of the nineteenth century. First of all, Moltke denied that strategy was a science of such a nature that general principles could be used automatically to derive a sound solution.<sup>7</sup> Instead it was necessary to work out each problem in terms of the special circumstances of the case. Secondly, maneuvers, while important, were inadequate devices for putting before officers all the significant and

<sup>6</sup> Usher, *op. cit.*, p. 151; also *A History of Mechanical Inventions* (New York, 1929), Chap. ii.

<sup>7</sup> Edward Meade Earle, *Makers of Modern Strategy* (Princeton, N. J., 1943), p. 179.

complex aspects of actual action. Thirdly, only by well-presented historical study could the rival concepts, battle plans, moves, and errors be forcefully presented. Moltke insisted that the history be presented accurately, and above all with a correct sense of proportion; on this basis it became a central feature of the activities of the Prussian staff.

Can the same values be attached to business history, in which the action is slower and simple adversary situations are rare? With modifications I believe that they can. It is instructive to compare the flexible and often hazardous operations of that fascinating fifteenth-century Venetian merchant, Andrea Barbarigo,<sup>8</sup> with the more ponderous and politically-minded Medici.<sup>9</sup> For a later period John Hancock,<sup>10</sup> the Lees,<sup>11</sup> and Astor<sup>12</sup> provide interesting contrasts. As a final illustration, the statesmanlike quality of James J. Hill stands out in contrast to the bad judgments and acts of the group which ran the Milwaukee into its disastrous receivership in 1922.<sup>13</sup> Probably almost every important enterprise has had forced on it, by its own opportunities or by the acts of others, a limited number of strategic choices and basic policies. The decisions made often ultimately led to fame and fortune or to ruin; furthermore, the differences may not have been clear to contemporaries. The study of the decisions may be instructive.

Also interesting are the differences in the patterns of business leadership and management. There are clearly multiple patterns of individual adaptation to external conditions. Compare, for instance, the cautious, highly adaptable, non-speculative leadership of the nineteenth-century Pepperell mill<sup>14</sup> with the highly aggressive rule-or-ruin methods of Rockefeller. Or consider the emphasis on stabilization of Gary of U. S. Steel, and the reluctance to take full competitive

<sup>8</sup> Frederick C. Lane, *Andrea Barbarigo, Merchant of Venice, 1418-1449*, Johns Hopkins University Studies in Historical and Political Science, Ser. lxii, no. 1 (Baltimore, 1944).

<sup>9</sup> Raymond De Roover, *The Medici Bank* (New York, 1948).

<sup>10</sup> William T. Baxter, *The House of Hancock* (Cambridge, 1945).

<sup>11</sup> Kenneth W. Porter, *The Jacksons and the Lees: Two Generations of Massachusetts Merchants, 1765-1844*, 2 vols. (Cambridge, 1937).

<sup>12</sup> Kenneth W. Porter, *John Jacob Astor, Business Man*, 2 vols. (Cambridge, 1931).

<sup>13</sup> N. S. B. Gras and H. M. Larson, *Casebook in American Business History* (New York, 1939), cases xxvi, xxvii.

<sup>14</sup> Evelyn H. Knowlton, *Pepperell's Progress* (Cambridge, 1948).

price advantage of the new glass-making inventions in the case of Libbey and Owens.<sup>15</sup> Training, temperament, and, last but not least, concepts of social relations and responsibilities all were factors in these patterns and many others. They surely are not without interest to the student of business.

The study of business history may also shed some light on the rôle of personal qualities in business management. I definitely do not believe in the great-man concept of historical change. In particular, in the broad areas of economic history innovation is a social process in which many participate.<sup>16</sup> But the military historians pay great attention to the character and ideas of individual leaders, and I believe that at the level of the individual enterprise business historians should do likewise. Business management has never been entirely a matter of brilliance of intellect and of technical skills. Qualities of courage and judgment and a sense of social responsibility have often been well rewarded. The patient and careful measures of Presidents John R. Hegeman and Haley Fiske of the *Metropolitan Life*<sup>17</sup> come to mind in this connection. In contrast, the ruthless disregard of public concepts of morality and fair dealing ultimately led to the breakup of even the great Rockefeller enterprise. From the standpoint of maintaining good relations with the outside world, today one of the leading executive functions, Rockefeller must be rated low indeed. But personal qualities reflect, with a variety of variations, the social concepts and codes of the time.

## V

Finally we come to the problem of the entrepreneurial function in economic affairs, and of the entrepreneur in business history. The classic writers on economic theory generally included entrepreneurship as a factor of production, along with land, labor, and capital. The entrepreneur generally has had but one function—that is, to combine the other factors of production—and he usually is expected to do so in the manner specified in marginal productivity theory. In some cases he is also supposed to equate marginal revenue and marginal cost. But what a ghost-like, synthetic, and utterly ineffective

<sup>15</sup> Warren C. Scoville, *Revolution in Glass Making* (Cambridge, 1948).

<sup>16</sup> Usher, *op. cit.*, p. 151.

<sup>17</sup> Marquis James, *The Metropolitan Life* (New York, 1947), Chap. vii-xiii.

and misleading picture of creative business leadership this is! Can one put Sir Thomas Smythe, Andrew Carnegie, Erastus Corning, James J. Hill, and many others into such a strait jacket? Of course, most creative business men do some economizing of the factors of production, but this function is a minor one.

The term entrepreneur goes back at least two hundred years. Savary's dictionary of 1723 uses the words *entreprendre*, *entreprise*, and *entrepreneur* in the sense of designing and undertaking some project.<sup>18</sup> The old term *adventurer* suggests many aspects besides planning. So does the modern slang expression "brain trust." The essential features are conception, planning, initiative, and risk-bearing, rather than detailed management.

The history of entrepreneurship is thus the problem of change again at the level of the individual and firm. Involved is not the promotion of one new firm exactly like every other firm, but the creation of a new type of enterprise, a new product, a new production technique, or some other important variation. Some business executives have been entrepreneurs for a part of their careers, and merely managers thereafter. It is well for the professional student of business to comprehend that mere excellence in business techniques has not been so important, or generally so rewarding, as strategic ideas.

Entrepreneurship is also a matter of social as well as business concern. It is the dynamic factor in both business and economic history, and it ties them together. It transcends the history of a particular business. In general it is a history of persons and their ideas and acts. Some persons have been almost exclusively concerned with such activity. Erastus Corning<sup>19</sup> was one such, but it is impossible to designate an entrepreneurial group exclusively concerned with innovation and associated activities. Entrepreneurship occurs in many fields, of which the most important are the technological, the business, the legal, and legislative and executive branches of government. As the scale of business increases and centralization grows, the problems associated with the entrepreneurial function assume ever-increasing importance.

Historical study of the leads and lags of firms, areas, and even entire nations in entrepreneurship is of crucial importance. Yet com-

<sup>18</sup> Fritz Redlich, "The Origin of the Concepts of Entrepreneur and Creative Entrepreneur," *Explorations in Entrepreneurial History*, vol. i, no. 2 (February, 1949), pp. 1-7.

<sup>19</sup> Irene New, "Erastus Corning," uncompleted MS thesis, Cornell University.



paratively little has been done in this area. How for instance has a nation acquired economic, and particularly industrial, leadership, or if once acquired, how has it been lost? We certainly need in answering such questions to know more about the forces playing on the individual mind, about the influence of tradition and environment, and about the processes of transmission of ideas and concepts into fruitful soil.

It is now time to attempt a formulation of a more challenging type of economic and business history which will provide more light on many important public and private problems of our times. To do this more integration is necessary between economic history, business history, and the new field of entrepreneurial history. Beyond that there must be more integration with the social sciences, and with the work in the administrative arts, both business and public. Business history is not an end in itself, but rather a means to the continuing development of effective relations between the individual, the firm, and larger social groups in which they are set.

JOHN G. B. HUTCHINS

School of Business and Public Administration

Cornell University

## Meeting of the Council of the Business Historical Society

The annual spring meeting of the Council of the Business Historical Society was held at the Parker House in Boston on May 17. The following were present: Messrs. Gras, Harding, Kiley, Loring, and Sullivan, and Miss Larson, Councillors; Mr. Potter, Assistant Treasurer; and Mr. Navin, Clerk. In the absence of the President, Mr. Higgins, the Vice-President, Mr. Gras, presided.

The Council received with regret the resignation of Mr. Higgins, President, Mr. Gras, Vice-President, and Mrs. Bishop, Assistant Executive Secretary and Assistant Editor of the *Bulletin*. Mr. Higgins and Mr. Gras asked to be relieved of their duties because of the pressure of work elsewhere and Mrs. Bishop because her family was moving from Boston. The Clerk was instructed to express the Council's deep gratitude to Mr. Higgins for the twelve years he had served as President of the Society, to Mr. Gras for his fifteen years as Vice-President, and to Mrs. Bishop for her twelve years as manager of the Society's operating affairs.

The following personnel was elected to serve for the forthcoming year: President, Augustus P. Loring III; Vice-President, John C. Kiley; Executive Secretary, Thomas R. Navin; Editor of the *Bulletin*, Henrietta M. Larson; Librarian, Arthur H. Cole.

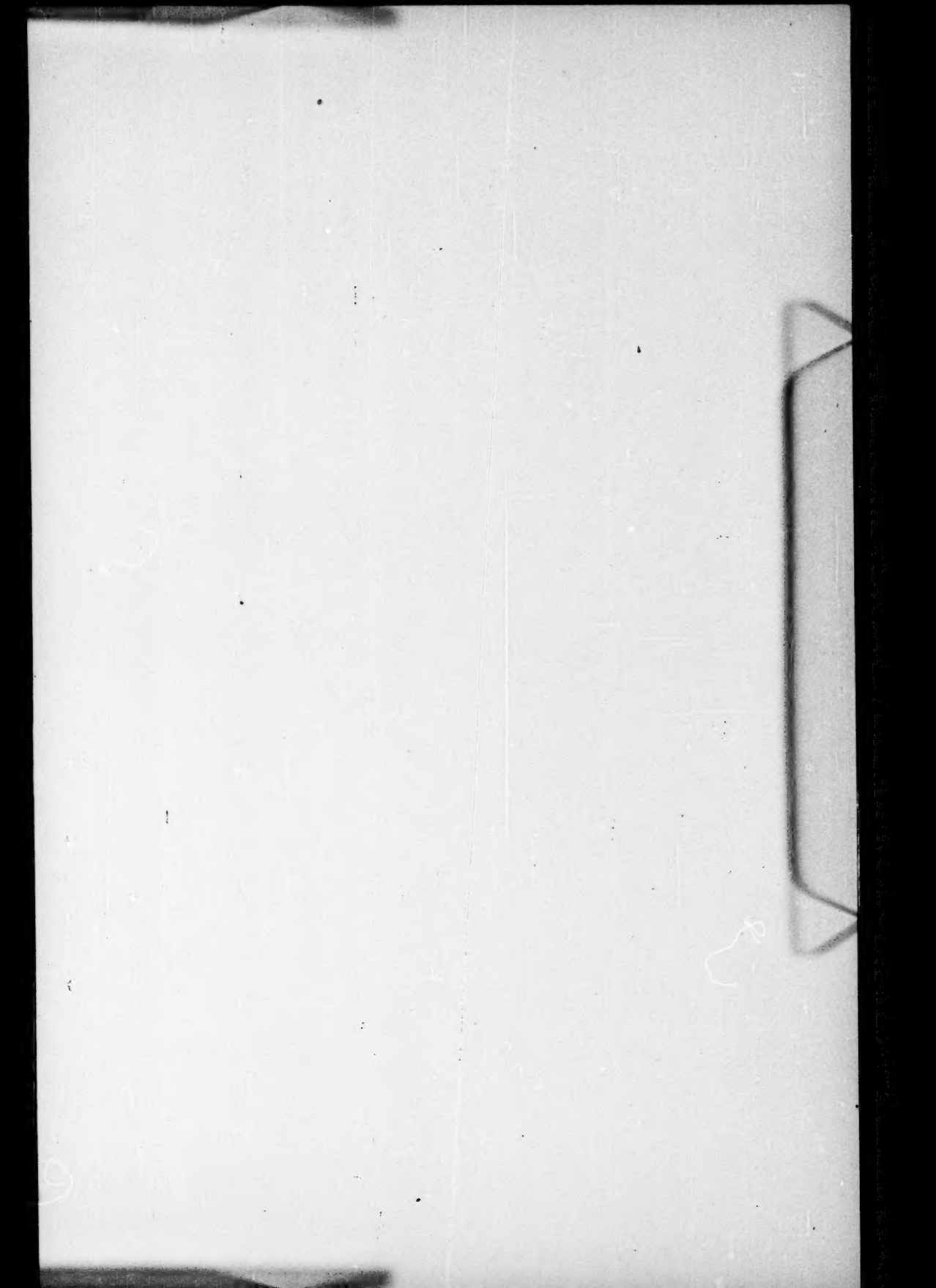
Publications planned for distribution to members during 1950 include *The Whitin Machine Works since 1831: A Textile Machinery Company in an Industrial Village*, by Thomas R. Navin, and *The Saco-Lowell Shops: Textile Machinery Building in New England, 1813-1949*, by George S. Gibb.

## Announcement of Two Book Dividends

### Two Textile-Machinery Books Presented to Members of the Business Historical Society

As book dividends for 1950, the members of the Business Historical Society are being sent two new volumes in the Harvard Studies in Business History: *The Whitin Machine Works since 1831: A Textile Machinery Company in an Industrial Village*, by Thomas R. Navin, and *The Saco-Lowell Shops: Textile Machinery Building in New England, 1813-1949*, by George Sweet Gibb.

These two books give a picture of the development of two of America's leading textile-machinery companies. They are the result of extended research in the records of the companies themselves and in the history of the textile machinery industry as a whole. These volumes illustrate the value of the coöperation of business with historians in the creation of a literature dealing with the history of the administration and operation of business.



**HARVARD STUDIES  
IN BUSINESS HISTORY**

1. JOHN DAVIS ARDEN, BUSINESS MAN  
OF BOSTON, 1780-1840  
BY CHARLES FREDERICK FRYER
2. JAY COCKER, PRIVATE BANKER  
OF BOSTON, 1780-1840  
BY CHARLES FREDERICK FRYER
3. THE JACKSONS AND THE FIRST TWO  
GENERATIONS OF MASSACHUSETTS  
BANKING, 1780-1840  
BY CHARLES FREDERICK FRYER
4. THE MASSACHUSETTS FIRST NATIONAL BANK  
OF BOSTON, 1780-1840  
BY W. S. S. S. S.
5. THE HISTORY OF AN ADVERTISING AGENCY:  
H. W. AYER & SON AT WORK, 1830-1880  
Revised edition. By DAVID W. BROWN
6. MARKETING LIFE INSURANCE: ITS HISTORY  
IN AMERICA  
BY J. C. COOK
7. HISTORY OF MACK'S OF NEW YORK, 1840-1880  
CHAPTERS IN THE EVOLUTION OF THE  
DEPARTMENT STORE  
BY DAVID W. BROWN
8. THE WHITEHITES OF TAUNTON: A HISTORY  
OF REED & BARTON, 1824-1880  
BY CHARLES FREDERICK FRYER
9. DEVELOPMENT OF TWO BANK GROUPS IN THE  
CENTRAL NORTHWEST: A STUDY IN  
BANK POLICY AND ORGANIZATION  
BY CHARLES FREDERICK FRYER
10. THE HOUSE OF HANCOCK: BUSINESS  
IN BOSTON, 1720-1770  
BY W. S. S. S.
11. TRADING A CENTURY:  
HISTORY OF THE WALTHAM WATCH COMPANY  
BY G. H. H. H.
12. GUIDE TO BUSINESS HISTORY:  
MATERIALS FOR THE STUDY OF AMERICAN  
BUSINESS HISTORY AND  
SUGGESTIONS FOR THEIR USE  
BY CHARLES F. FRYER
13. PEPPERELL'S PROGRAM: HISTORY OF A  
COTTON TEXTILE COMPANY, 1824-1880  
BY DAVID W. BROWN
14. THE HOUSE OF BANKING IN AMERICAN  
TRADE AND FINANCE: ENGLISH MERCHANT  
BANKERS AT WORK, 1780-1840  
BY DAVID W. BROWN